

SPEECH

Secretary Mike Kennealy Testifies Before the Joint Committee on Housing

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Executive Office of Housing and Economic Development

Office of Governor Charlie Baker and Lt. Governor Karyn Polito

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BOSTON — Today, Housing and Economic Development Secretary Mike Kennealy joined Governor Charlie Baker and Lt. Governor Karyn Polito in testifying before the Joint Committee on Housing in support of *An Act to Promote Housing Choices*, legislation filed by Governor Baker in February that calls for targeted zoning reform to advance new

housing production in Massachusetts and supports the administration's goal to produce 135,000 new housing units by 2025. Testimony from Governor Baker and Lt. Governor Polito is [available here](#).

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Remarks as prepared for delivery by Secretary Kennealy:

"Chairman Honan, Chairman Crighton, members of the Committee.

"I want to start by thanking each of you for taking the time to meet with me personally over the last few months. It has been a privilege to be able to learn about your communities and districts, and to understand your perspective on housing in Massachusetts.

'We have also continued our conversations beyond this committee, meeting with more than 30 of your colleagues so far, just about this legislation. And there are meetings on my calendar stretching into June.

'In each, we have heard the same recognition of the urgency around this issue.

"As we all know, economics suggests that an increase in demand, without a similar increase in supply, will lead to price increases.

"Housing is not a widget, but the same principles apply.

"Governor Baker highlighted the decline in new housing permitting since 1990—in a single generation, we cut our housing production in half—and the unsurprising impact on rents and home prices.

"Part of this can be attributed to our booming economy - we're attracting residents, and workers, who see Massachusetts as a place of opportunity. But a significant portion of it comes from the barriers we've erected to stop new housing construction.

"It doesn't have to be this way.

"An August 2018 study, conducted by researchers at NYU found that easing barriers to new construction moderates housing prices, helping low and moderate income families to find stable and affordable housing.

"We've seen this play out in cities across the nation.

"In Seattle, another innovation hub that is growing rapidly and attracting a young, talented workforce and game-changing companies, rents increased faster than anywhere else in 2016 and 2017.

"In response to this massively increasing demand, Seattle took actions to up zone certain areas and reduce parking requirements, and the city ramped up permitting. As a result, Builders are on pace to create more units this decade than in the previous 50 years combined.

"In 2018 alone, Seattle was set to see more than 12,000 new apartments open.

"This record setting construction moderated - and finally dropped - rental prices in the city. In December 2018, prices dropped by 2.9% in the metro area, with rent decreases up to 6% in popular areas of Seattle that received the most new apartments.

"The same story is playing out in cities across the nation.

"In Los Angeles, low rates of construction between 2009 and 2013, along with increases in demand for apartments, led to a 6% increase in rents in 2015 alone.

"But, by ramping up construction since 2013, the city has begun to stabilize rents. LA rents increased by only 2.9% in 2018, and are predicted to increase by only 2.2% in 2019.

"And in New York, Denver, D.C, and Houston, we've seen record construction begin to moderate rent increases.

"These are the metro areas that we are competing with for jobs and talent. And right now, we are at a disadvantage. For every resident that moves from Boston to Portland, for example, three are loading up the moving truck and heading to the Pacific Northwest.

"More construction won't solve our housing crisis overnight, but by unlocking production we can begin to make Massachusetts more affordable for our families, now and in the future.

"Among those most affected by Massachusetts' housing shortage have been low and moderate income families.

"Home price and rent increases mean that living in Massachusetts has become more expensive, and while median income has risen dramatically, from \$50,502 in 2000, to \$77,385 in 2017, it has not kept pace with rents and home values.

"Some of the most significant effects have been seen in the homeownership market, which has changed dramatically over the past 20 years. In 2000, most homeowners made about the median household income. By 2017, the market had shifted dramatically, and was dominated by households that make at least twice the median family income.

"On the rental side, we've seen increased prices force families to sacrifice other priorities, like food, clothes, and healthcare. In 2000, just over 1/3 of renter households making less than \$100,000 were cost burdened. In 2017, this number reached 56%. That's 118,000 more cost burdened households, in less than 20 years.

"Addressing this requires coordinated action.

"We create affordable housing in three general ways:

1. Investments in Housing Supply: when government provides incentives to developers for the creation of housing units with less than market-rate rents or costs.

2. Subsidies for Families: when government provides subsidies to families to help them afford market-rate rents.
3. Private market: when homes/rents are available at prices that are affordable for individuals/families without government subsidies.

"Two of these ways rely on direct government subsidies, and we remain committed to these programs.

"We've spent \$1.1B on housing over the last four years – more than at any other time in Massachusetts' history.

"Working with you, and your colleagues in the legislature, we've increased MRVP funding to \$100M, a 53% increase over FY15 levels.

"We've continued to lead the country in affordable housing policy as one of only four states with state-funded public housing, as the only state with a right-to-shelter for families, and through our state-funded LIHTC program.

"In order to address the needs of our most vulnerable families, we require that 10% of units in our tax credit projects be dedicated to extremely low income families.

"But we can't spend our way out of this crisis. Taxpayers can't keep up with the market.

"We need to pass this bill to facilitate increased production and help communities who want to do the right thing and build housing – of all kinds – get projects into the ground.

"In places like Arlington, Braintree, Lexington, and Salem, proposals on the table mean that new production will include affordable units, creating homes for vulnerable families.

"As the lieutenant governor alluded to, we have worked hard to create legislation around which we can build a strong consensus and coalition.

"We are proud that our legislation has attracted a diverse group of endorsements since

refiling in February. The housing experts, municipal officials, and stakeholders who have endorsed our Housing Choice legislation represent a wide range of voices, all of whom are deeply invested in the future of our Commonwealth.

"Recently, the Metropolitan Area Planning Council, Smart Growth Alliance, and Citizens Housing and Planning Association (CHAPA) have all called for this bill to pass. They join a number of other organizations that have endorsed the bill, including the Massachusetts AARP, Greater Boston Chamber of Commerce, Mass Municipal Association, MassINC, and MACDC.

"We've also received support from developers like Valley CDC, Wayfinders, and Beacon Communities, all of which focus on producing housing that meets community needs and that residents can afford.

"Why have the Greater Boston Chamber of Commerce, South Shore Chamber of Commerce, Cape Cod Chamber of Commerce, and the Newton-Needham Regional Chamber come out strongly in support of Housing Choice?

"Because of the strain this crisis has created for small business owners, who rely on an available workforce. The answer is not for their employees to move farther and farther away, whittling down their employee's quality of life, and making it more difficult to retain dependable workers.

"Why is the AARP of Massachusetts and local Councils on Aging - including Williamstown - putting the weight of their membership behind Housing Choice?

"Because ensuring Massachusetts is an age-friendly state will require substantially more housing that meets the needs of this rapidly growing community. For many, a stable retirement is directly tied to housing costs, and without more options for seniors and older adults to lower those costs, economic security is threatened. Our legislation will create more options for this population: accessory dwelling units, denser housing near services, and communities with the ability to prioritize affordable, senior housing.

"Why are affordable housing and community groups like CHAPA and MACDC advocating for Housing Choice?

"Because there are families across the Commonwealth, who are unable to find housing they can afford. The needs of our extremely low income families are always on our mind, and we are proud of the investments we've made to increase the number of rental vouchers available for families, but without enough housing, we simply cannot meet the need.

"With more supply, we will create more naturally and intentionally affordable housing.

"Projects with affordable units are receiving majority support but failing to get two-thirds. This means that 34% of the voting members of a community are effectively taking affordable housing off the table.

"In Lenox, 41 of 50 units would have been affordable.

"In Salem, at least 10 percent of all units would have been affordable.

"In Lexington, 4 of 13 units would have been affordable.

"If Housing Choice was on the books, developers would be moving towards construction.

"And we don't have any way to quantify the number of projects never put forward because of the at times seemingly insurmountable two-thirds requirement.

"This legislation will immediately remove a number of hurdles that developers face, and encourage more ambitious projects to be brought forward. It empowers communities to pursue locally-supported projects in an environment where organizing in opposition to change has never been easier.

"This legislation will benefit everyone.

"Young families looking for starter homes need housing that is affordable for first-time homebuyers.

"Millennials and workers need housing options that are near transit or near where they work.

"Our aging population needs housing options that allow them to downsize into homes that make sense.

"Housing choice isn't about solving problems for a single group of people – it's about helping everyone, at every income, find a place to call home."

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